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UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION

In re:

PG&E CORPORATION,

- and -

PACIFIC GAS AND ELECTRIC  
COMPANY,

Debtors.

Affects PG&E Corporation  
 Affects Pacific Gas and Electric  
Company  
 Affects both Debtors

\* All papers shall be filed in the Lead  
Case, No. 19-30088 (DM).

Bankruptcy Case No. 19-30088 (DM)

Chapter 11 (Lead Case) (Jointly Administered)

**SUPPLEMENT TO DEBTORS'  
APPLICATION PURSUANT TO 11 U.S.C. §§  
363(b) AND 105(a) FOR AUTHORITY TO  
ENTER INTO, PERFORM UNDER AND  
MAKE PAYMENTS UNDER CERTAIN  
CONSULTING CONTRACTS WITH  
MCKINSEY & COMPANY, INC. UNITED  
STATES**

**[Related to Dkt. No. 3919]**

Date: **March 10, 2020**

Time: 10:00 a.m. (Pacific Time)

Place: United States Bankruptcy Court  
Courtroom 17, 16th Floor  
San Francisco, CA 94102

1 PG&E Corporation (“**PG&E Corp.**”) and Pacific Gas and Electric Company (the “**Utility**”), as  
2 debtors and debtors in possession (collectively, “**PG&E**” or the “**Debtors**”) in the above-captioned  
3 chapter 11 cases (the “**Chapter 11 Cases**”), hereby submit this supplement (the “**Supplement**”) to the  
4 *Application of Debtors Pursuant to 11 U.S.C. §§ 363(b) and 105(a) for Authority to Enter Into,*  
5 *Perform Under and Make Payments Under Certain Consulting Contracts with McKinsey & Company*  
6 *Inc. United States* [Dkt. No. 3919] (the “**Application**”).<sup>1</sup>

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27 <sup>1</sup> Defined terms used herein but not otherwise defined shall have the meanings ascribed to such terms  
in the Application.  
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## MEMORANDUM OF POINTS AND AUTHORITIES

## I. INTRODUCTION

As explained in more detail in the Application, the Debtors do not believe that McKinsey is performing work as a “professional” in the sense that would typically require an application for employment pursuant to section 327(a) of the Bankruptcy Code. The Debtors also believe that the entry into, and performance under, the Services Contracts are ordinary course of business transactions that would not require court approval under section 363(b) of the Bankruptcy Code. Nevertheless, the Debtors filed the Application out of an abundance of caution in order to satisfy McKinsey’s concerns regarding providing such crucial services to the Debtors during their bankruptcy cases without obtaining Court approval. The Debtors hereby file this Supplement to update the Court and all parties in interest regarding certain Supplemental Agreements (as defined herein) that were recently entered into between the Debtors and McKinsey in the ordinary course of business that relate to the Application and the Service Contracts.<sup>2</sup> The Debtors intend to seek approval of this Supplement together with the Application.

## II. JURISDICTION

The Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334, the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order 24 (N.D. Cal.), and Rule 5011-1(a) of the Bankruptcy Local Rules for the United States District Court for the Northern District of California (the “**Bankruptcy Local Rules**”). This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

### III. BACKGROUND

On January 29, 2019 (the “**Petition Date**”), the Debtors commenced with the Court voluntary cases under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in either of the Chapter 11 Cases. The

<sup>2</sup> To the extent that PG&E and McKinsey enter into additional service contracts following submission of this Supplement, the Debtors will notify the Court of such engagements.

1 Debtors' Chapter 11 Cases are being jointly administered for procedural purposes only pursuant to  
2 Bankruptcy Rule 1015(b).

3 On February 12, 2019, the United States Trustee (the "U.S. Trustee") appointed an Official  
4 Committee of Unsecured Creditors (the "Creditors Committee"). On February 15, 2019, the U.S.  
5 Trustee appointed an Official Committee of Tort Claimants (the "Tort Claimants Committee" and,  
6 together with the Creditors Committee, the "Committees").

7 Additional information regarding the circumstances leading to the commencement of the  
8 Chapter 11 Cases and information regarding the Debtors' businesses and capital structure is set forth in  
9 the *Amended Declaration of Jason P. Wells in Support of the First Day Motions and Related Relief*  
10 [Docket No. 263].

11 On September 17, 2019, the Debtors filed the Application. The Application sought authority to  
12 enter into, perform under, and make payments under three Service Contracts, as may be amended and  
13 supplemented from time to time, with McKinsey.

14 As described in more detail herein, following the filing of the Application, the Debtors  
15 requested that McKinsey provide certain additional services to supplement those described in the  
16 Application. The Debtors, therefore, submit this Supplement to provide notice of the Supplemental  
17 Agreements described herein, for which they will seek approval together with the Application.

18 **IV. SCOPE OF THE SUPPLEMENTAL AGREEMENTS**

19 As described herein, the Debtors seek authority to enter into and perform under the  
20 Supplemental Agreements.<sup>3</sup> These critical services, which are unrelated to the chapter 11  
21 restructuring, are consistent with the relief sought in the Application, but include certain additional  
22 services to be provided for the benefit of the Debtors and their estates.

23 Following filling of the Application, the Debtors requested that McKinsey amend and extend  
24 the Supplemental Service Contract through two additional amendments, which provide that McKinsey  
25 will (i) perform limited ad-hoc technical support relating to the prior digital locate and mark services

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26 <sup>3</sup> The summary of the Supplemental Agreements included in this Supplement is provided for purposes  
27 of convenience only and is qualified in its entirety by reference to the actual agreements. To the extent  
28 of any inconsistency, the terms of the applicable agreement shall control.

1 for five months after the completion of the Supplemental Service Contract (“**Amendment No. 2**”), and  
2 (ii) provide one full-time professional and one part-time professional for certain short-term knowledge  
3 transfer and non-coding technical support services (“**Amendment No. 3**”). The Debtors and  
4 McKinsey executed Amendment No. 2 on December 31, 2019, and Amendment No. 3 on January 3,  
5 2020. These two contract amendments contemplate that McKinsey will continue to provide assistance  
6 to the Debtors in relation to their “locate and mark” program by piloting a digital solution/application  
7 for use by PG&E employees, as more particularly described in the Application. The Debtors’ goal for  
8 this project is to enable PG&E to more effectively obtain access to certain data in a digital  
9 solution/application, work toward mobile training to retire older devices used in the locate and mark  
10 program, and develop minimum viable product solutions for locate and mark employees. The Debtors  
11 consider these services as essential to the integrity of the its operations by providing additional support  
12 to allow the Debtors to further capitalize on the benefits already received from McKinsey as described  
13 in the Application.

14 In addition, upon the expiration of the Service Contracts and in light of recent operational  
15 reforms undertaken by PG&E in connection with its initiative to improve and optimize performance  
16 and interaction of its gas and electrical services through the year 2040, the Debtors also requested that  
17 McKinsey enter into an additional service agreement to perform a study of future options for the  
18 construction of PG&E’s overall energy grid in connection with the Debtors’ aim to improve  
19 performance in a safe and sustainable manner (the “**Grid Service Contract**” and, together with  
20 Amendment No. 2, and Amendment No. 3, the “**Supplemental Agreements**”). The Debtors and  
21 McKinsey executed the Grid Service Contract on January 6, 2020. McKinsey’s services under the  
22 Grid Service Contract involved a high level global study of alternative grid business models and  
23 architectures, and an assessment of how these alternatives might be implemented by PG&E over the  
24 next two decades, taking into account technical, regulatory, operational and other considerations. In  
25 addition, McKinsey applied its extensive familiarity with the Debtors’ gas operations unit from the Gas  
26 Stewardship Service Contract to determine the optimal methods for the Debtors to utilize and integrate  
27 such services in a more reliable and efficient manner. The Debtors believe that such services will  
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1 provide significant benefit, as they will enable PG&E to further improve its overall energy grid in a  
2 sustainable, safe and reliable fashion, and to emerge from bankruptcy with a forward-looking plan to  
3 improve its operations.

4 The term and compensation for each of the Supplemental Agreements is summarized below:

5 <b>Agreement</b>	6 <b>Term</b>	7 <b>Compensation</b>
8 Amendment No. 2 to the 9 Supplemental Service Contract - Ad-Hoc Support Amendment	10 January 1, 2020 through May 31, 2020.	11 \$0
12 Amendment No. 3 to the 13 Supplemental Service Contract - Knowledge Transfer Amendment	14 January 6, 2020 through January 17, 2020, extendable by PG&E in one- week installments.	15 A fee not to exceed \$65,000, plus, if 16 applicable, a weekly extension fee 17 of \$45,000.
18 Grid Service Contract	19 December 14, 2019 through January 20 17, 2020	21 A fee not to exceed \$300,000.

## 10 **V. PROFESSIONAL COMPENSATION**

11 The Debtors respectfully request the authority to pay for the services described in this  
12 Supplement, in accordance with the proposed procedures set forth in the Application. The Debtors  
13 respectfully submit that McKinsey's rates and policies as set forth in the Application and as  
14 supplemented herein are reasonable, particularly given the nature of these Chapter 11 Cases.

## 15 **V. EFFORTS TO AVOID DUPLICATION OF SERVICES**

16 The services provided by McKinsey pursuant to the Application, as supplemented herein, will  
17 complement, and not duplicate, the services to be rendered by other professionals retained in these  
18 Chapter 11 Cases. McKinsey's services relate to the Debtors' ordinary course operations, including  
19 obligations to comply with applicable state law, separate and apart from the various restructuring  
20 services provided by the other chapter 11 professionals being retained by the Debtors, including AP  
21 Services, LLC as restructuring advisor and Lazard Freres & Co. as investment banker. Accordingly,  
22 there is no other retained professional that can or will provide the critical services that McKinsey will  
23 provide pursuant to the Supplemental Agreements.

## 24 **V. NOTICE**

25 Notice of this Supplement will be provided to (i) the Office of the U.S. Trustee for Region 17  
26 (Attn: James L. Snyder, Esq. and Timothy Laffredi, Esq.); (ii) counsel to the Creditors Committee; (iii)  
27 counsel to Tort Claimants Committee; (iv) the Securities and Exchange Commission; (v) the Internal  
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1 Revenue Service; (vi) the Office of the California Attorney General; (vii) the California Public Utilities  
2 Commission; (viii) the Nuclear Regulatory Commission; (ix) the Federal Energy Regulatory  
3 Commission; (x) the Office of the United States Attorney for the Northern District of California; (xi)  
4 counsel for the agent under the Debtors' debtor in possession financing facility; and (xii) those persons  
5 who have formally appeared in these Chapter 11 Cases and requested service pursuant to Bankruptcy  
6 Rule 2002. The Debtors respectfully submit that no further notice is required.

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1 WHEREFORE, the Debtors respectfully request entry of an order granting (i) the relief  
2 requested in the Application, as supplemented herein, as a sound exercise of the Debtors' business  
3 judgment and in the best interests of their estates, creditors, shareholders, and all other parties'  
4 interests, and (ii) such other and further relief as the Court may deem just and appropriate.  
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6 Dated: February 26, 2020

7 **WEIL, GOTSHAL & MANGES LLP**

8 **KELLER & BENVENUTTI LLP**

9 By: /s/ Matthew Goren

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11 *Attorneys for Debtors*  
12 *and Debtors in Possession*

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